

## Message Text

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ORIGIN ARA-20

INFO OCT-01 ADP-00 SEC-03 EB-11 COME-00 OPIC-12 OMB-01

TRSE-00 CIAE-00 INR-10 NSAE-00 RSC-01 SS-15 NSC-10

SSO-00 NSCE-00 INRE-00 /084 R

DRAFTED BY ARA/EP/P:MRRFRECHETTE

7/13/73:22196

APPROVED BY ARA:RAHURWITCH

ARA:MR.SHLAUDEMAN

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O 140013Z JUL 73

FM SECSTATE WASHDC

TO AMEMBASSY LIMA IMMEDIATE

C O N F I D E N T I A L STATE 138282

E.O. 11652:GDS

TAGS: BDIS, EIND, PE

SUBJECT: CERRO CORPORATION REMITTANCE PROBLEM

1. CERRO CORPORATION PRESIDENT MURPHY CALLED ON ACTING ASSISTANT SECRETARY HURWITCH AFTERNOON JULY 13 TO EXPLAIN THAT CERRO REMITTANCE PROBLEM IN PERU HAS BECOME EXTREMELY SERIOUS AND MUST BE RESOLVED BY END THIS MONTH. CERRO'S SECOND QUARTER EARNINGS RELEASE DUE AUGUST 1 AND, IN ORDER AVOID SEC CONSIDERATION OF DECONSOLIDATION, IT IMPERATIVE HAVE RELIEF ON REMITTANCES AND SHOW POSITIVE CASH FLOW IN SECOND QUARTER.

2. WALSH ARRIVES LIMA THIS WEEKEND AND INTENDS SEE MIRO QUESADA TO PRESENT HIM WITH CERRO'S PLAN IN COMPLIANCE RECENT DECREE RELATING TO HOUSING AND SERVICES PROVIDED BY MINING COMPANIES. MURPHY SAYS HOUSING PLAN EXCELLENT AND SHOULD COST OVER DOLS 65 MILLION OVER FIVE YFARS. PLAN NOT DUE UNTIL AUGUST 8 BUT CERRO IS PRESENTING IT EARLY AS GESTURE GOOD FAITH. AT SAME TIME WALSH WILL ASK MIRO QUESADA TO RELEASE ABOUT DOLS 22.5 MILLION IN CERRO REMITTANCES (1967.72 PROFITS, 3 MILLION; CONFIDENTIAL

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1973 DEPRECIATION, 12 MILLION, 1973 PROFITS, 7.5 MILLION).

3. FYI. REMITTANCE PROBLEM COST CERRO OVER DOLS 7 MILLION IN NEGATIVE CASH FLOW FROM PERU IN JUNE 1973. SINCE JULY 1, CERRO HAS BEEN OPERATING ON BASIS THAT THERE SHOULD BE EITHER POSITIVE OR ZERO CASH FLOW FROM PERU.

MURPHY STATES PERUVIAN GOVERNMENT FOLLOWS FOREIGN EXCHANGE TRANSACTIONS CLOSELY AND IN ABOUT TWO WEEKS MINEROPERU WILL BECOME AWARE CERRO WITHHOLDING DOLLAR REMITTANCES TO PERU FROM CERRO SALES ABROAD. END FYI.

4. MURPHY INITIALLY SUGGESTED THAT AMBASSADOR BELCHER APPROACH EITHER FONMIN OR PRIMIN, STATING THAT CERRO CASH FLOW PROBLEM IS BECOMING A SERIOUS ISSUE WHICH COULD AFFECT COOPERATION AND UPCOMING CERRO NEGOTIATIONS AND ASK FOR EXPEDITIOUS RELIEF ON REMITTANCES.

5. AFTER DISCUSSION, HURWITCH AND MURPHY AGREED THAT WALSH WILL SEE AMBASSADOR BELCHER BEFORE TALKING TO MIRO QUESADA. AFTER SEEING MIRO QUESADA AND MAKING PRESENTATION OUTLINED PARA 2, WALSH WILL REPORT TO AMBASSADOR BELCHER. BASED ON WALSH REPORT, AMBASSADOR BELCHER WILL MAKE RECOMMENDATIONS TO DEPARTMENT CONCERNING POSSIBLE SUPPORTIVE USG ACTIONS, IF ANY, REQUIRED OR USEFUL. IN THIS CONNECTION, AMBASSADOR SHOULD TRY TO DETERMINE FROM WALSH WHAT MINIMUM AMOUNT IN REMITTANCES IS ACCEPTABLE TO CERRO AT THIS TIME. MURPHY SUGGESTED CERRO MIGHT ACCEPT LESS THAN DOLS 22 MILLION MENTIONED IN PARA 2. RUSH

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